

Guest Column

Short sales can be benefit to all concerned

By Ruth Briggs King,
Executive Vice President
Sussex County Association of Realtors

As real estate markets from coast to coast continue to face unprecedented challenges and home prices are lower than we have seen in a while, many homeowners are resorting to selling their home through a short sale.

For those that hear the term but are unsure of what it means, a short sale occurs when a home is sold for less money than is needed to satisfy the outstanding mortgage.

As an alternative to foreclosure, short sales can often benefit everyone concerned – sellers behind on their payments can avoid foreclosure and, potentially, be relieved of some debt, lien holders can receive a percentage of what is owed quickly and avoid the expense of having to own and manage another home, and buyers hunting for a bargain can sometimes find one better than they expected.

While there are many benefits, short sales are not for everybody; there are many factors to consider before selling your home through the short sale process. Some possible pitfalls for homeowners include:

- Not all sellers will qualify for a short-sale program. You generally need to be several months behind on your mortgage, or in default, and able to prove financial hardship to sell your home through a bank-approved short sale.

- Not all lenders will relieve you from paying off the difference between the sales price and the amount owed on the home, unless they deem your financial situation warrants it. Be sure to consult with your lien holder(s), a housing counselor, a financial

planner or an attorney in advance of making any long-term decision.

- Selling your home in a short sale will affect your credit rating, though typically not as much as if your home is reclaimed by the bank through foreclosure. Keep in mind, for most to be able to participate in a short sale, the seller must be in default and, therefore, the credit is already being harmed by a history of late payments.

Short sales are not all bad news for sellers. If you're a homeowner in danger of defaulting on your loan, a short sale may be a viable option for you. While there are many things to be wary of, there are benefits for some sellers that include:

- Not having to go through a lengthy foreclosure program, thus preventing a foreclosure from appearing on your credit report for up to 10 years.

- In most cases not having to repay the lien holder the full balance of your mortgage.

- Current law also protects homeowners from having to pay taxes on the forgiven amount – this would normally be classified as income and subject to your normal tax rate.

For value-conscious buyers, the main advantage to buying a home through a short sale is rather obvious – the opportunity to purchase a home at a discounted rate.

Though home values here in Sussex County have held up rather well compared to the rest of the country, there are homeowners here who have run into financial troubles and need to unload their residence for less than they currently owe. While this can be great news for buyers, there are steps any responsible buyer should take before entering into a short-sale arrangement.

Consider these nine steps to short-sale home buying, which are partially sourced from www.Bankrate.com:

- Identify potential short sales. You can do this by using an online database, searching records at the Sussex County Courthouse in Georgetown or by selecting an experienced member of the Sussex County Association of Realtors.

- View the property. Drive by the home and do your best to devise a rough estimate of how much you think it is worth, as well as how much work may need to be done on it. Again, a Realtor can add value by helping to properly value the home.

- Do your research. Learn about the neighborhood, determine what the home is worth compared to the proposed sale and your offer prices, and estimate the amount of potential profit available.

- Research to determine what is owed. Check the court house and other resources to find all liens and mortgages. These are potential liabilities to the purchaser.

- Figure out the financing. It's critical you

do this before making an offer on the property, as lenders will generally require a closing in pretty short order.

- Contact the lender. You or your Realtor should speak with the lender directly and learn exactly what they are expecting to gain out of the transaction and that the sale will be allowed to be conducted as a short sale. This requires written permission of the seller submitted to the loan holder.

- Complete the lender's short-sale application and assemble the proposal. Not all lenders have short-sale applications, but, generally, they are look for the same details in the proposal. These include the sale contract, a hardship letter from the seller, a professional statement of the property's estimated value and a proposed settlement statement.

- Negotiate and be patient. Figure out ahead of time the highest amount you're willing to pay for the property. Expect to wait a bit of time prior to receiving an

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study of over 12,600 North American industrial size wind turbines was able to document only 194 avian fatalities. Compare this to the United State's 900 million plus annual bird deaths from collision with windows (which are invisible to birds).

The bottom line, the National Audubon Society Headquarters buys all of its power from a regional wind farm. These bird lovers are clearly in favor of wind energy. (Results of this study are available online at: www.currykerlinger.com/windpower.htm).

The Skystream 3.7 wind turbine proposed for Quillen's Point would be mounted on a 33-foot pole. The total surface area of the blades is less than that of a flag. Height limitations in the community are 42 feet. The homeowner, who was applying for a variance, has graciously kept the height of his home at a modest 28 feet, allowing his neighbors a view of the bay. Compare this to Mr. Metzger's home, a veritable wall of 60 feet wide by 12 feet tall. Which home blocks the neighborhood views more?

Noise is an issue often raised in con-

nection with wind turbines. The NREL (National Renewable Energy Laboratory, www.nrel.gov) has conducted extensive studies on various wind turbines noise output. The NREL has rated the noise output of a Skystream 3.7 at 47 decibels (DB) at the base of the turbine. Compare this to 70 decibels for an average air-conditioning unit, 57 decibels for an average conversation of 55 decibels for an average refrigerator. It's extremely unlikely that the proposed wind turbine would be audible to its nearest neighbors. Mr. Metzger's droll image of the turbine being heard in Wilmington is clearly ludicrous.

If Mr. Metzger is truly concerned about noise pollution, bird health and the vistas of his neighbors, I have some suggestions for him. First, permanently shut down your AC unit (it is far noisier than a wind turbine). Second, remove all the windows from your home (they pose a far greater hazard to the ospreys). Third, cut the top 1.5 stories off of your house (they block your neighbor's views far more than the proposed turbine).

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answer to your proposal. Mortgage companies are struggling through the glut of short-sale requests across the country and are still establishing procedures to approving the sales. Patience may allow you a great deal in the end.

- Seal the deal. Schedule the closing, finalize financing, and sign on the dotted line.

While the numbers of short sales in Sussex County are well below the national average, that's not to say they don't exist. As savvy buyers will tell you, finding a good deal is well worth the extra effort needed to find them.

Short sales are an option when financial troubles begin to be a bit overwhelming. It is critical to make sure you understand what you're getting into before taking the leap, regardless of what side of the sale you are on - doing so will assure a positive experience for all.

As with all financial decisions, you are strongly advised to contact a trusted professional to determine what the best course of action for you is. To learn more about housing options, visit housingmarketfacts.com online.

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